

FUNDAMENTAL EQUITY QUARTERLY - 12 | 2023

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We look back on a remarkably strong year for global equity markets, which despite a hesitant start delivered close to 20% returns by mid-December. Our Global Stars, Emerging Markets and Asian equity strategies have been performing successfully, all well above benchmark and high up in their peer group rankings¹.

Macro developments and policy moves caused serious mood swings amongst investors in 2023. Worries about higher for longer inflation leading to a recession were traded for optimism about a soft landing towards the end of the year. We see Federal Reserve chairman Powell's guidance that several rate cuts are on the cards for 2024 as a positive, as long as this is for the right reason. Namely that inflation is becoming under control, and not because the Fed knows something that the market doesn't. We follow closely how the effect of higher interest rates is starting to come through in the real economy. Credit card delinquencies are rising rapidly in the US, the number of bankruptcies is creeping up, also in Europe, and few companies surprise positively on revenue growth. Data from the trucking sector, usually a good leading indicator of future economic activity in the US, also shows signs of weakness. This calls for caution, and we select stocks accordingly.

At the same time, long term investors are seeing that tech advances are accelerating and increasingly driving productivity growth. We are now hitting the steeper part of the technology curve. The pace of change through the internet economy years of 1995 to 2020 may look sedate by comparison with the advances we are about to see in the next decade. In addition, the recent COP 28 in Dubai showed that the energy transition is still a powerful driver and will bring tremendous investment opportunities. These trends are reflected in our portfolios as well.

Furthermore, we pounce on the table for emerging markets. In this Quarterly we discuss how we see many emerging markets benefiting from macroeconomic strength compared to the developed world, and from a strong position in key growth industries. Robeco's emerging markets strategies offer multiple ways to initiate or calibrate exposure to benefit from a long-term rebalancing towards the world's fastest growing economies.

Thanks for reading, enjoy the end-of-year celebrations, and we look forward to catching up with you in 2024!



¹ Source: Morningstar, Robeco Performance Management

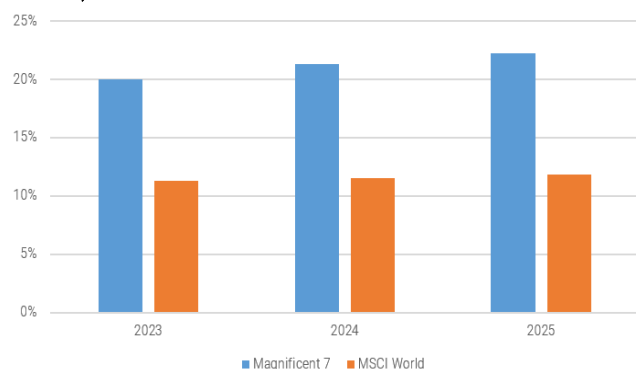
Seek quality beyond the 'Magnificent 7'

Apple, Alphabet, Microsoft, Amazon, Meta, Tesla and Nvidia have led returns in 2023, but we would take a cautious approach and lean towards a broader set of quality stocks for 2024.

Beyond the tech titans

A subset of these seven tech titans possess key leadership ingredients such as a global, scalable business, dominating in their respective industries and they are, in distinct ways, also considered enablers of generative AI. We believe valuations are now stretched even taking into account projected 2024 numbers – and the valuation divergence between the 'Magnificent 7' and the rest of the MSCI World is the widest it has ever been.

Profit margins – Magnificent 7 vs MSCI World (2023 Actual, 2024/2025 Forecast)



Source: Bloomberg, Robeco

This is justified by the much higher profit margins the 'Magnificent 7' are delivering and also reflected in valuations with this select group trading at 29x 2025 earnings projections versus 17x for MSCI World. We are now looking beyond the 'Magnificent 7' to a wider set of quality companies with similar characteristics, and believe this is the place we want to invest in 2024. Thus, especially profitable companies with high return on capital, strong balance sheets and strong cashflows, but where valuation multiples are not at such an elevated premium to the

broader market. Quality is the place to be in an environment which is cloudy due to the effect of higher interest rates globally.

Given the lags of DM monetary policy, GDP weakness likely lies ahead of us.

From an investment perspective, it is important to note that over the past 50 years, each time the Fed raised the federal funds rate by 300 basis points or more, regardless of the starting point, we experienced a sharp downturn in the economy. This cycle, we have seen the Fed raise rates by 525 basis points since March 2022, a pace of tightening we haven't witnessed since the early 1980s. We've only seen the beginning, in our view, of the toll this tightening is likely to take on consumers and business.

We anticipate a deceleration in GDP in 2024 likely coming from the 80-90% of the DM income distribution (especially US) which has run out of excess savings brought on during the pandemic era. Interest payments are increasing faster than disposable income for all but the highest income bracket. Although many households locked-in low mortgage rates, non-mortgage debt servicing, where rates are mostly variable (e.g., credit cards) has been more of a drag on disposable income in recent months, with delinquencies on auto and credit cards loans at the highest level in 10 years.

What Consumer CEOs are saying

From a Luxury bellwether: "I think it was really September, where we particularly noticed the global slowdown and I think as indicated by our guidance fair to say, those trends have continued into the (fourth) quarter." From a Home Improvement bellwether: "We know now that the Fed definitely has a 'higher for longer' monetary posture and that's going to continue to pressure durable goods, in financing or motivation

“Real profits in the US for the economy as a whole have fallen more than in Europe

for larger home improvement projects. We're looking at this year as a period of moderation for home improvement spend.”

‘Higher for longer’ versus investor optimism over swift rate cuts

We are concerned that investors will ultimately be disappointed that the Fed does not start cutting rates as soon as expected. The federal funds futures market is pricing in a slightly more than 50% probability of a rate cut at the March Federal Open Market Committee (FOMC) meeting and nearly a 70% chance of another cut in May. Then, the market is pricing in a minimum 60% chance of a cut at each of the remaining FOMC meetings next year. Expectations for this level of aggressive rates cuts is too optimistic in our view. Core inflation (which excludes the effects of food and energy) remains well above Fed's long-term 2% target. The Fed's likely path may still be higher for longer rates until inflation is confidently lower.

As a result we employ a barbell approach toward broadening portfolio exposures for 2024

- Maintain ~20% of the Portfolio to Select Magnificent 7 if fundamental evaluation justifies a quality position at a still reasonable price.

- Allocate greater weight ~30% of the portfolio to defensive positions (Insurance, Banks, HealthCare and Staples) as these industries outperform after rates peak (see chart below).
- Allocate the remaining 50% of the portfolio diversified across high quality companies especially in technology, industrials and discretionary.

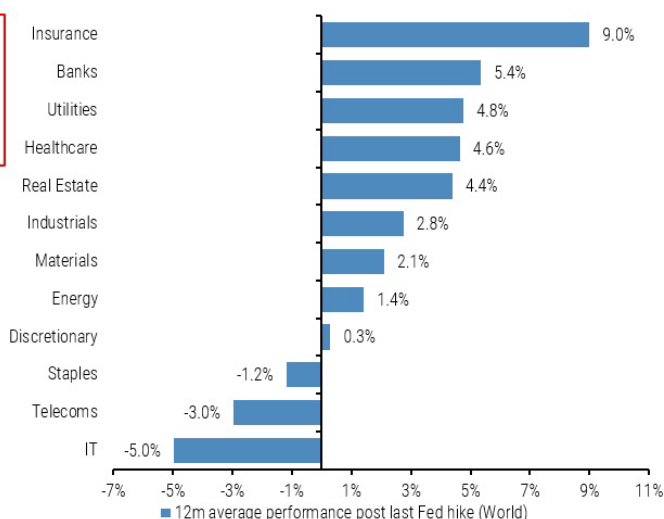
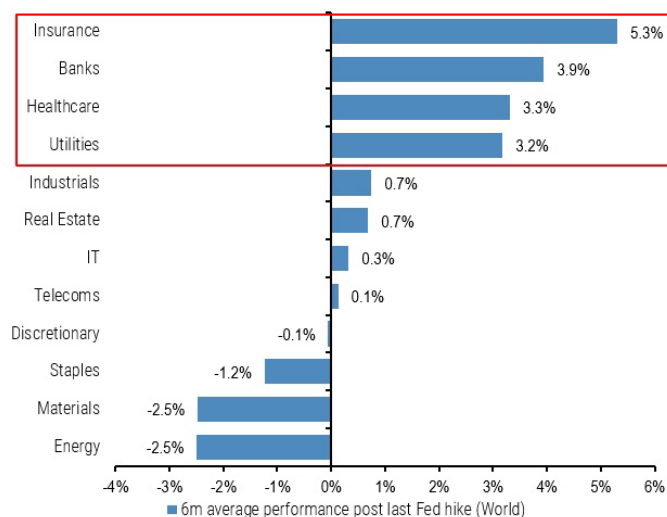
Profits are under increasing pressure as cost pressures (including wages) remain elevated while demand has been sluggish. Despite strong consumer demand, real profits in the US for the economy as a whole have fallen more than in Europe and we think 2024 S&P500 EPS growth will come in below the consensus estimate of 11%.

We project a significant earnings squeeze in Europe and, excluding tech, also a continued decline in earnings in the US. Falling profits have historically been one of the best predictors of layoffs.

The biggest risk is resurgent inflation

Even in an election year, we still regard inflation as the biggest risk. That is, inflation not returning to targets could yield even higher rates, and (much) lower growth 2-3 years out.

Performance of World Sector Indexes after final Fed hike



Source: Datastream, JPMorgan, and Robeco



Tailwinds of change

EM equities have performed well against a backdrop of higher US yields and geopolitical challenges in the Ukraine and the Middle East.

The world's economic foundations are being remade

Before discussing the (earnings) outlook at the end of this EM chapter, let's zoom in on the geopolitical situation, and more from a longer-term perspective. Three issues emerge here. First of all, there is the essential role that some emerging countries play in the production of crucial information technology. For example, generative AI would be impossible without the supply of high-tech memory chips. In particular, Korean and Taiwanese companies, active in IT hardware, are global leaders in their sector. They have played a key role in the supply chain at the highest level and will continue to do so. China intends to catch up in this area and become self-sufficient in high-end technology, but the country is at least three years behind Korea and Taiwan. The leading players from those countries will continue to operate at the highest level for years to come.

China + 1

Second, there is the so-called China +1 strategy, which more and more globally operating companies are committed to. By this we mean the need for large industry from the US, Europe and Japan to become less dependent on China in terms of production. An important economic argument is that China has ceased to be a low-wage paradise. India, Indonesia, Philippines and Vietnam score much better and have become an attractive alternative for Western companies. Expansion of production capacity is therefore no longer standard practice in China. In addition to those Asian countries, Mexico and Brazil also come out much better. Mexico in particular is benefiting from the trend, also known as 'nearshoring'. This is about building American production facilities just across the border in Mexico, where it is much cheaper to produce and the business community does not have to take into account sanctions from the US government.

This is in contrast to the trade restrictions imposed by the US in certain sectors with respect to China.

Finally, there is the assessment of the geopolitical shifts in the course of the next decade. The center of gravity is moving from the West – led by the US – to China and India. The landscape is now much more divided between the three major economic and political blocs: the US, Europe and Asia, with delegations in large institutions currently dominated by the US and Europe. China and India, while strategic rivals, will become increasingly influential political and economic counterweights to the US and Europe. Institutions such as the International Monetary Fund and the World Bank will be more equitably managed according to the role a country plays on the world stage, in terms of the size of its economy and population.

Political power is shifting east

Keep in mind that the current sanctions on 'sensitive' technology postpone China's development for a few years at most. But postponement certainly does not mean cancellation. So, get used to a new geopolitical balance in the world with more power for the major emerging countries, such as China, India, but also Brazil, Mexico and Indonesia. Actually, a much better representation of the world than the current one, with a disproportionate share of power in the traditional developed world. On the global financial stage, the emerging countries mentioned are just as underrepresented, if you look at various stock indices. Therefore we see a lot of upside potential and increasing money flows to the currently under-invested countries.

“All in all, strong earnings growth will be a substantial advantage in early 2024 for emerging markets equities

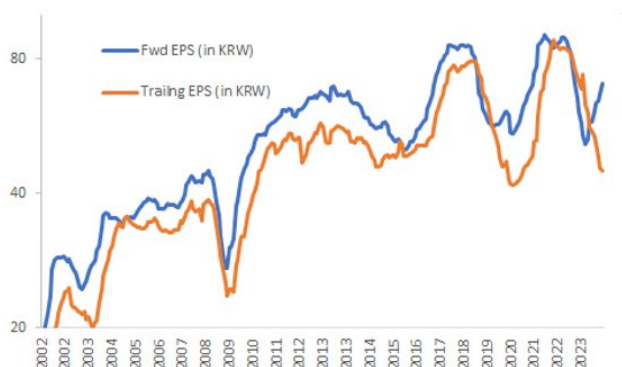
Three drivers for EM equities

Looking at the shorter term outlook, we conclude that the outlook for EM for next quarter and next year is positive and the reasons are threefold. First we see the 10-year US Treasury yields having peaked at 5% (currently at 4.1%), which gives more room for increased risk appetite among investors. Thus, given the perceived higher risk for EM assets, we foresee a better sentiment, and thus fund flows towards EM equities. Second, cheap valuation illustrates the long term attractiveness, although we know valuation in itself is a bad timing indicator. Finally, and a better timing indicator, is earnings growth. After an earnings decline of 5% in MSCI EM in 2023, the consensus estimates an earnings growth of 18% for next year. The tailwinds for the nice earnings rebound are (1) huge growth in the Korean and Taiwanese numbers on the back of strong resilience in the IT hardware sector and (2) lower interest bills for EM Inc. with widespread monetary easing across EM.

To illustrate the strong resilience in EM earnings, we would like to point out the Korean earnings picture: this year earnings in Korea are to decline 34%, next year we will see an increase of more than 68%, related mostly to the IT hardware companies.

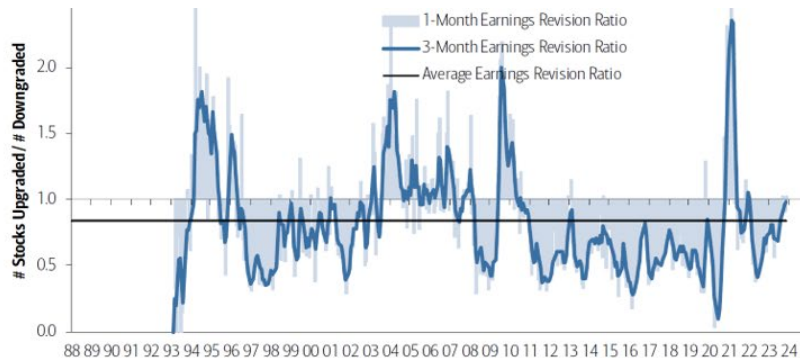
In Brazil, where we see ample room to cut interest rates, supporting the consensus earnings increase in 2024 in the high single digits, after this year's contraction of 25% on higher interest bills for corporates. All in all, strong earnings growth will be a substantial advantage in early 2024 for emerging markets equities.

Korean EPS very cyclical over the past decades and recently



Source: Bloomberg, Refinitiv, JP Morgan

Earnings trend strong in India in the last 3 months



Source: BoA, MSCI, IBES

INTERVIEW

Michiel Plakman, Head of Global Equity

“Quality is the overriding theme of our strategy”

Michiel Plakman is the lead manager of Robeco's flagship high conviction strategy Sustainable Global Stars. Here he talks about his background in investing, his investment philosophy, and how he positions the portfolio.

What originally got you into investing?

I studied econometrics at the VU in Amsterdam and was lucky enough to get a nine-month internship at Iris, a joint venture between Rabobank and Robeco. However, there wasn't a job at Robeco and I joined KPN pension fund in Groningen as a portfolio manager. I was happy with that as normally you had to build experience as an analyst first. I had a good two years there before eventually joining Robeco in mid-1999 as part of the North America team.

What made you choose Robeco?

Well, first of all, Robeco had a great reputation. The interesting thing is, then when I was an intern, there was a lot of interaction between the portfolio management and research people, and there were a lot of social events as well. This was an opportunity to get to know people and build a network. I then decided I wanted to return to Robeco if an opportunity occurred. I've enjoyed all my years at Robeco but definitely those first years were fantastic.

How do you think coming from that econometrics background has shaped you as an investor?

Robeco has always been a house where quant and fundamental have gone hand in hand, and we were all trained in the same skills, which provided a sort of common language within the equity department. The organization was a lot smaller back then, so the same research resources served both the equity department and the fixed income department.

What is it that makes a good stock?

A good stock is an investment that you never have to sell and never have to worry about. So really good stocks are about the long run. The three pillars we look at are Return on Invested Capital (ROIC), free cash flow generation and the sustainability profile. A company must also have a position in its industry with

a large moat, so a good protection of its business model.

Companies like Apple or Visa - those kind of stocks where you know that if you're just going to own them to infinity, they'll be fine. I was very lucky because when I started in the North America team, I was responsible for the cyclical sectors. I started out covering basic materials, energy and industrials. But tech, believe it or not, was still part of industrials. It was not a separate sector back then in 1999, even in the run up to the Y2K event and the internet bubble. I found that a lot of the really, really great companies are born in the technology sector. And so it's also shaped my thinking about risk, free cash flow, sustainability and compounding returns.

Is there an investor you have always admired?

I've always really enjoyed reading the work of Michael Mauboussin. His basic idea is that investing is about allocating capital, and you want to allocate capital to firms that have proved that they can invest their capital profitably and generate very attractive returns. There cannot be growth without value creation. There's a certain valuation that you have to pay for that potential value creation. That's what investing is all about.

You make it sound simple! What's the biggest pitfall for investors then?

As I said there's no value without value creation. There's no price low enough to pay if a company's actually destroying value. The mistakes you make are usually, of course, where you lose money. The Warren Buffett first lesson is never lose money. And lesson two is don't forget the first lesson. If you make a list of the investments where you lost money, you will see that you either overpaid for the value creation, or there was no value creation and you ended up with a situation of value destruction.

“There's no price low enough to pay if a company's actually destroying value

So what's happening in global markets right now – what's your take?

I'm more constructive than some, because I believe we're at peak interest rates and rates will start to decline by quite a large amount. Maybe not in the next six months, but definitely over the next two to three years, We'll see normalization and maybe at some point have to fight deflation again. So I do see rates coming back from 5% in the US to 3% over the next two years. I think that makes a lot of difference for equities. Second, even though sell side expectations are for 10% to 13% earnings growth, few people on the buy side actually believe that. Many on the buy side expect a 10% earnings decline next year. If we only have a shallow recession, or no recession at all in the US, because the consumer is in decent shape, I think we have okay markets. Lower rates with many participants overestimating earnings risk could be a good combination.

And what about tech?

A lot is riding on the AI theme. The next two years will be the proof in the pudding. The companies that are best positioned should actually distance themselves from the crowd in terms of results. That will be key. Either it will prove to be a relative fad and enterprises are not willing to pay for it, or it proves a key differentiator. And then there will be even more separation between the AI winners and losers. I would bet on the AI winner camp right now.

You aren't worried about valuations?

Well, some of the 'Magnificent 7' are overhyped. But there are names that are still at relatively attractive valuations. Some of the most successful 2023 stocks still look relatively attractively valued if you consider projected 2024 and 2025 numbers. So, I'm not too concerned about valuations, especially in an environment where interest rates come down.

Which opportunities are most prominently reflected in the Sustainable Global Stars strategy?

On the healthcare side, we've invested in the developers of obesity medicine, but there's at least some hype pricing in that space now. Within industrials we're more geared towards a relatively defensive industrials with good subscription models. We also have exposure to green hydrogen within energy. We're positioned for the comeback of alternative energy and definitely CapEx on green energy. There's not one particular trend that is dominant, although in an environment with a very uncertain macroeconomic picture, it pays to be in quality. So if anything, quality is the overriding theme of the portfolio.

What's your best investment ever?

I would say Apple, definitely from a personal perspective as it's one we picked up relatively early. And back then I had to fight tooth and nail to get Apple into the portfolio. There was a lot of skepticism on the floor at Robeco about the potential for the iPhone and the fact that when Apple had 5% share that most of iPhone was apparently priced in. Well, it proved not to be the case so it's been a fantastic 20-year theme. Maybe one related point is I also like names that can feed off a very large competitor that is stumbling. And so time and time again, you see those examples, as is happening in the semiconductor space right now.

If you could meet any historical figure, dead or alive, who had a significant impact on the financial world, who would it be and what investment question would you ask them?

No surprise, but I would love to meet Warren Buffett. I would like to ask him what his biggest investment mistakes were, and if he had to do it again, what would be different in his strategy.

Time for investors to visit the Aegean?

2023 has been anything but uneventful in Turkey and Greece with elections and natural disasters. Behind the headlines underlying economic dynamism is becoming apparent with economic policy helping the long term outlook.

In February, an earthquake hit the South-Eastern part of Turkey, causing significant loss of life and economic damage. In September, the Greek region of Thessaly was flooded by record rainfall, hurting the important agriculture sector and causing meaningful damage to infrastructure. Billions of euros of reinvestment will be needed in both countries to recover. On our recent trip to the region, we took stock of how the new public administrations and the private sector were planning to move forward. Both countries appear to be headed in the right direction, a fact increasingly recognized by investors, but Greece is better positioned to tap resources for investment in renewed growth.

Turkey seeks FDI to drive entrepreneurial momentum

The loose monetary policy of Turkey over recent years increased macro volatility, inflation, and pushed foreign investors away. However, economic growth has been surprising positively, as locals enjoyed a consumption and market speculation bonanza enabled by the low real interest rates. Ordinary people turned into traders, as a combination of tight supply, as well as demand for real assets in an inflationary environment, turned items like cars into lucrative speculative assets. The inflation expectations also encouraged people to spend their liras, rather than save, boosting corporate profits and interest in the stock market. IPOs of small local companies delivered stellar returns, creating a cycle of more investors joining and more companies going public. It is the unsustainability of these excesses that led international investors to welcome the change of guard at the ministry of economy and central bank. The new team has promised to continue tightening monetary conditions until a path to disinflation is achieved. Positive signs are there with one bank telling us that visibility improved such that they were moving from daily to weekly capital allocation meetings.



Turkey needs still external financing to rebuild its financial buffers though and the new economic team are still busy convincing institutional investors and foreign governments of their policy agenda. We hold very limited exposure to Turkey right now but have some high quality companies under consideration.

Greece stays the course and eyes DM reclassification

Greece is no stranger to political discontent but with over 40% of voters backing New Democracy in June 2023, more than double the support of its closest rival. The message was clear: market friendly reforms and close cooperation with the EU should continue. While a post-covid rebound in tourism has been an obvious source of strength, improvements in the business environment and access to EU funds are stimulating investment. Productivity- and energy- focused investments funded by cheap loans and grants from the EU can help keep growth high the years to come. The normalization of eurozone interest rates has been a blessing for banks in Greece, speeding up loan portfolio clean-up and rebuilding capital buffers. A C-suite executive of a local bank had recently met no fewer than 70 investors, confirming our expectation that there is plenty of demand to complete the privatization process targeted by the country's bailout fund.

All-in-all, the Greek economy has seen significant improvement recently, reflected in inward investment², but we think there is more to come. Credit ratings upgrades will reduce companies' cost of funding. The next government goal is for the Greek stock market to be upgraded back to a Developed Market – a title that it lost ten years ago. Successful sales of the state's remaining banks shares, and a planned airport IPO, are steps that will get Greece closer to the prize. We are significantly overweight Greece across our emerging markets strategies.

² The technology giants investing in Greece – The Greek Reporter, December 2023

China's to unleash fiscal firepower

Given the muted economic recovery in 2023, an ambitious growth 5% target for 2024 would boost confidence by signaling much more aggressive fiscal support.

Feeling contrarian?

Going long China equities now feels like a brave move given the 2023 we have endured but this where we need to be clear sighted. Earnings revisions are still being subdued by the weak and bumpy macroeconomic recovery, but this is likely to change when the explicitly pro-growth fiscal policy starts taking effect in 2024.

Rather than seeing this as a crisis, we continue to take a constructive view that this is a long term buying opportunity for active investors with local market knowledge seeking exposure to some of the world's best companies. In our China strategies we are employing a barbell strategy focusing on value with cyclical upside as well as structural growth.

Sentiment is at rock bottom

A slight easing of monetary policy, tweaks to regulation and quiet words with bankers have not been able to revive China's moribund property sector with house and apartment prices still falling during Q4. This in turn is undermining consumer confidence, leaving the economy struggling for momentum. Against this backdrop, and despite global equities rallying through November, China

equities have slid to the lowest levels since November 2022, completely wiping out the post-pandemic recovery trade. Valuations are now at a deep discount to other emerging markets, never mind the US. Given the high quality and long term growth prospects of many companies in the China universe, especially in technology self-sufficiency, industrial upgrade, energy transition and healthcare, this discount won't persist for long in our view.

Fiscal policy still to be unleashed

So where do we go from here? Firstly we expect December's Central Economic Work Conference to indicate that the GDP growth target is likely to be set at an ambitious 5%, matching the 2023 target despite the less favorable base effects. With monetary policy already accommodative it's logical to anticipate a more expansive fiscal policy to support growth and enable the GDP target to be achieved. This will include renewed public spending on social housing and infrastructure.

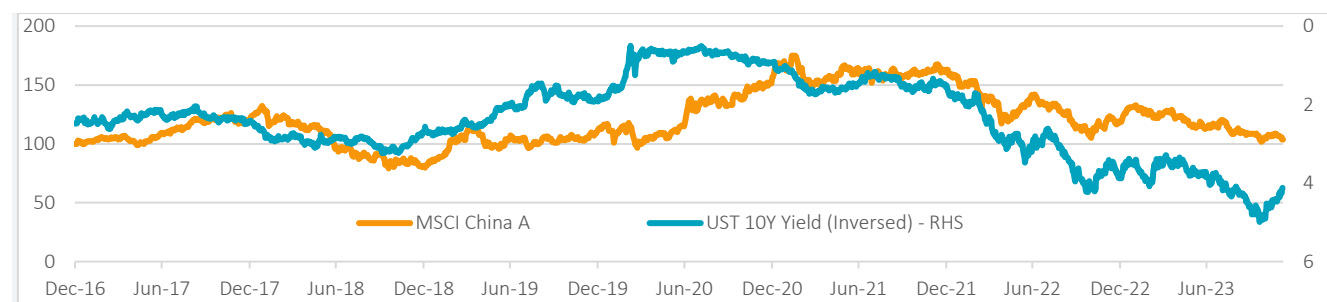
The China bond market's sanguine response to the Moody's downgrade of its outlook for Chinese sovereign bonds

shows it's ready to absorb an expected rise in bond issuance so a significant expansion of central government spending, channelled via local government, is very likely and will be positive for China equities.

Global flows likely to reverse in China's favor

We also anticipate the global macroeconomic environment to help China's policymakers with Fed rate cuts reducing pressure on the CNY and promoting investment flows away from US. US treasury yields have had a negative correlation to Chinese equity market performance over the last 7 years and that will be important for capital flows, given global asset allocation to China has been at very low levels with USD 100 billion withdrawn from China in 2023. There could also be a reaction from domestic investors with institutional investors including insurance companies starting to rebuild positions with valuations now at historic trough levels, and retail investors capitulating. All in all, China equities is one of our contrarian ideas for 2024.

US Treasury yields have been negatively correlated with China equity market performance



Source: Bloomberg, MSCI, Morgan Stanley Research; data coverage from January 1, 2017 to December 7, 2023

Finding decarbonization winners

The global focus on decarbonization and achieving net-zero implies huge investment requirements and opportunities. Many companies set low-carbon goals, but which ones are actually successfully walking the walk?

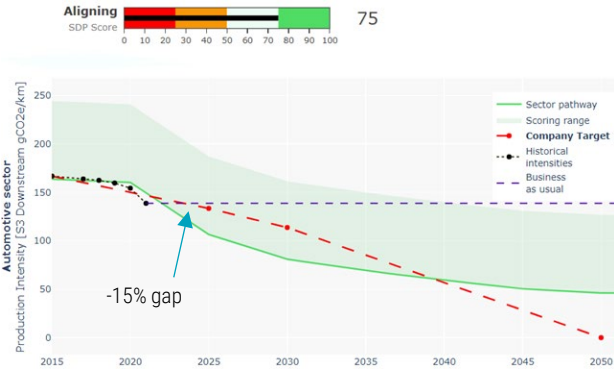
A forward-looking indicator

Robeco's Sector Decarbonization Pathway (SDP) helps investors minimize the noise, and identify decarbonization success stories. SDP models evaluate companies within sectors, utilizing past and future metrics to assess their readiness and emission reduction targets. A company's genuine commitment lies in its decarbonization investment plans, primarily focusing on capital expenditure (capex) allocated to decarbonization technologies and, to a lesser extent, operating expenditure (opex). It is through capex that companies rebuild themselves for the net zero future. We therefore model how a company's decarbonization targets translate into dollars, and we compare that with the stated capex plans as disclosed by the company.

Using the Auto sector as an example

We assess the necessary funding for battery-powered electric vehicle (BEV) technology to align with Company A's disclosed/committed decarbonization pathway and the more ambitious financing required for the company to decarbonize according to its respective sector pathway.

Auto sector alignment - Company A vs Sector



Source: Robeco



By contrasting these two BEV capex levels with the companies' stated investment plans (announced commitment versus required convergence), we identify individual companies' capex shortages (or surpluses).

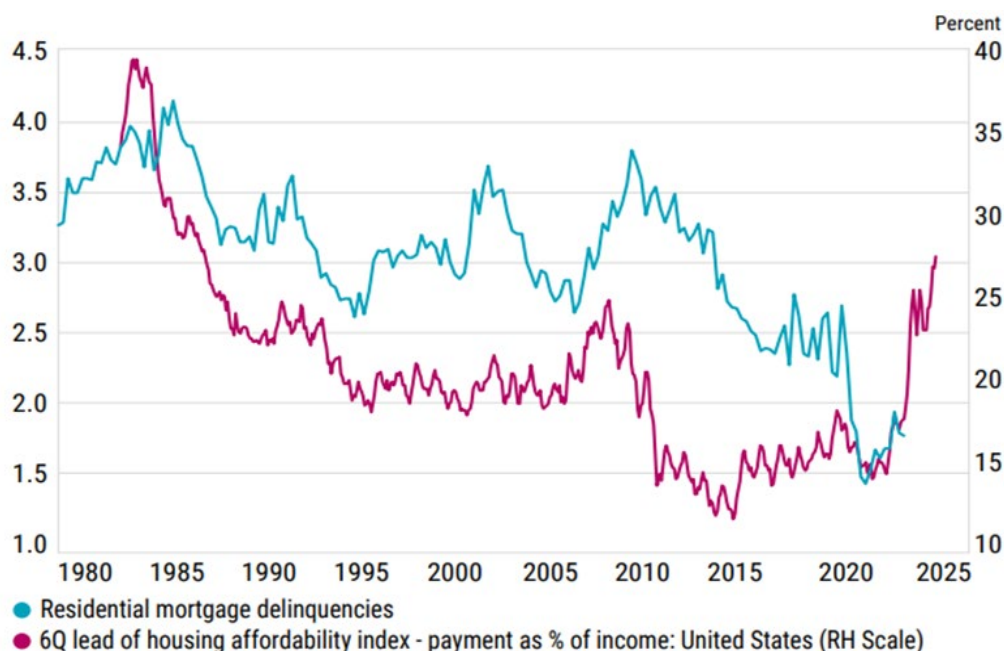
We have based our calculations on information provided by the companies (as well as estimates in case of insufficient disclosure) in order to assess the total capex outlays necessary to build the required BEV production and battery plants, factoring in new and re-tooled manufacturing plants. A positive number indicates a capex surplus whilst a negative number (in parenthesis) indicates a shortfall. It might appear that some automakers are overspending, but a capex surplus more likely indicates that they are building out capacity by investing before 2025 in order to reach the medium-term global BEV target. A capex surplus increases the credibility of (and decreases the risks to) individual OEMs decarbonization plans; a shortfall reduces credibility and increases risks.

Capex gap analysis 2020-2025 Company A	
Stated investment	USD 52 billion
Capex required in 2025 for company target (-25%)	USD 44.7 billion
Capex committed (surplus)	USD 7.3 billion (+16%)
Capex required in 2025 to reach to below 2 degrees (-45%)	USD 61.5 billion
Capex committed (gap)	USD 9.5 billion or (-15%)

This is important forward-looking information for our investment analysis. It helps us to identify the companies that have a solid transition strategy and will be well positioned to capture opportunities as the transition intensifies.

US housing affordability

Housing wealth is not going to be driving US consumption growth in the foreseeable future. Mortgage delinquencies have risen from their all-time low in 2021, and while they are still subdued at 1.75% the outlook isn't rosy. The peak in mortgage delinquencies might very well materialize in 2025 instead of 2024 even if policy rates fall back. Any further deterioration in US housing affordability (currently at its worst since 1985 with 26% of income going to mortgage payments) could cool housing demand and dent the wealth effect from housing.



Source: Robeco Multi-Asset team Annual Outlook 2024, LSEG Datastream

For more Stunning Statistics sign up for the Robeco Trends & Thematic team Daily Sketch here



IMPORTANT INFORMATION

Important information

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licensing requirement within such jurisdiction. Any decision to subscribe for interests in a Fund offered in a particular jurisdiction must be made solely on the basis of information contained in the prospectus, which information may be different from the information contained in this document. Prospective applicants for shares should inform themselves as to legal requirements which may also apply and any applicable exchange control regulations and taxes in the countries of their respective citizenship, residence or domicile. The Fund information, if any, contained in this document is qualified in its entirety by reference to the prospectus, and this document should, at all times, be read in conjunction with the prospectus. Detailed information on the Fund and associated risks is contained in the prospectus. The prospectus and the Key Information Document (PRIIP) for the Robeco Funds can all be obtained free of charge from Robeco's websites.

Additional information for US investors

Robeco is considered "participating affiliate" and some of their employees are "associated persons" of Robeco Institutional Asset Management US Inc. ("RIAM US") as per relevant SEC no-action guidance. Employees identified as associated persons of RIAM US perform activities directly or indirectly related to the investment advisory services provided by RIAM US. In those situations these individuals are deemed to be acting on behalf of RIAM US, a US SEC registered investment adviser. SEC regulations are applicable only to clients, prospects and investors of RIAM US. RIAM US is a wholly owned subsidiary of ORIX Corporation Europe N.V. and offers investment advisory services to institutional clients in the US.

Additional information for US Offshore investors – Reg S

The Robeco Capital Growth Funds have not been registered under the United States Investment Company Act of 1940, as amended, nor the United States Securities Act of 1933, as amended. None of the shares may be offered or sold, directly or indirectly in the United States or to any US Person. A US Person is defined as (a) any individual who is a citizen or resident of the United States for federal income tax purposes; (b) a corporation, partnership or other entity created or organized under the laws of or existing in the United States; (c) an estate or trust the income of which is subject to United States federal income tax regardless of whether such income is effectively connected with a United States trade or business. In the United States, this material may be distributed only to a person who is a "distributor", or who is not a "US person", as defined by Regulation S under the U.S. Securities Act of 1933 (as amended).

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Additional information for investors with residence or seat in Austria

This information is solely intended for professional investors or eligible counterparties in the meaning of the Austrian Securities Oversight Act.

Additional information for investors with residence or seat in Brazil

The Fund may not be offered or sold to the public in Brazil. Accordingly, the Fund has not been nor will be registered with the Brazilian Securities Commission (CVM), nor has it been submitted to the foregoing agency for approval. Documents relating to the Fund, as well as the information contained therein, may not be supplied to the public in Brazil, as the offering of the Fund is not a public offering of securities in Brazil, nor may they be used in connection with any offer for subscription or sale of securities to the public in Brazil.

Additional information for investors with residence or seat in Brunei

The Prospectus relates to a private collective investment scheme which is not subject to any form of domestic regulations by the Autoriti Monetari Brunei Darussalam ("Authority"). The Prospectus is intended for distribution only to specific classes of investors as specified in section 20 of the Securities Market Order, 2013, and must not, therefore, be delivered to, or relied on by, a retail client. The Authority is not responsible for reviewing or verifying any prospectus or other documents in connection with this collective investment scheme. The Authority has not approved the Prospectus or any other associated documents nor taken any steps to verify the information set out in the Prospectus and has no responsibility for it. The units to which the Prospectus relates may be illiquid or subject to restrictions on their resale. Prospective purchasers of the units offered should conduct their own due diligence on the units.

Additional information for investors with residence or seat in Canada

No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the securities described herein, and any representation to the contrary is an offence. Robeco Institutional Asset Management B.V. relies on the international dealer and international adviser exemption in Quebec and has appointed McCarthy Tétrault LLP as its agent for service in Quebec.

Additional information for investors with residence or seat in the Republic of Chile

Neither Robeco nor the Funds have been registered with the *Comisión para el Mercado Financiero* pursuant to Law no. 18.045, the *Ley de Mercado de Valores* and regulations thereunder. This document does not constitute an offer of or an invitation to subscribe for or purchase shares of the Funds in the Republic of Chile, other than to the specific person who individually requested this information on their own initiative. This may therefore be treated as a "private offering" within the meaning of Article 4 of the *Ley de Mercado de Valores* (an offer that is not addressed to the public at large or to a certain sector or specific group of the public).

Additional information for investors with residence or seat in Colombia

This document does not constitute a public offer in the Republic of Colombia. The offer of the fund is addressed to less than one hundred specifically identified investors. The fund may not be promoted or marketed in Colombia or to Colombian residents, unless such promotion and marketing is made in compliance with Decree 2555 of 2010 and other applicable rules

and regulations related to the promotion of foreign funds in Colombia. The distribution of this Prospectus and the offering of Shares may be restricted in certain jurisdictions. The information contained in this Prospectus is for general guidance only, and it is the responsibility of any person or persons in possession of this Prospectus and wishing to make application for Shares to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for Shares should inform themselves of any applicable legal requirements, exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile

Additional information for investors with residence or seat in the Dubai International Financial Centre (DIFC), United Arab Emirates

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Robeco Institutional Asset Management B.V. is at liberty to provide services in France. Robeco France is a subsidiary of Robeco whose business is based on the promotion and distribution of the group's funds to professional investors in France.

Additional information for investors with residence or seat in Germany

This information is solely intended for professional investors or eligible counterparties in the meaning of the German Securities Trading Act.

Additional information for investors with residence or seat in Hong Kong

The contents of this document have not been reviewed by the Securities and Futures Commission ("SFC") in Hong Kong. If there is any doubt about any of the contents of this document, independent professional advice should be obtained. This document has been distributed by Robeco Hong Kong Limited ("Robeco"). Robeco is regulated by the SFC in Hong Kong.

Additional information for investors with residence or seat in Indonesia

The Prospectus does not constitute an offer to sell nor a solicitation to buy securities in Indonesia.

Additional information for investors with residence or seat in Italy

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Business Operator), No.2780, Member of Japan Investment Advisors Association].

Additional information for investors with residence or seat in South Korea

The Management Company is not making any representation with respect to the eligibility of any recipients of the Prospectus to acquire the Shares therein under the laws of South Korea, including but not limited to the Foreign Exchange Transaction Act and Regulations thereunder. The Shares have not been registered under the Financial Investment Services and Capital Markets Act of Korea, and none of the Shares may be offered, sold or delivered, or offered or sold to any person for re-offering or resale, directly or indirectly, in South Korea or to any resident of South Korea except pursuant to applicable laws and regulations of South Korea.

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Additional information for investors with residence or seat in Malaysia

Generally, no offer or sale of the Shares is permitted in Malaysia unless where a Recognition Exemption or the Prospectus Exemption applies: NO ACTION HAS BEEN, OR WILL BE, TAKEN TO COMPLY WITH MALAYSIAN LAWS FOR MAKING AVAILABLE, OFFERING FOR SUBSCRIPTION OR PURCHASE, OR ISSUING ANY INVITATION TO SUBSCRIBE FOR OR PURCHASE OR SALE OF THE SHARES IN MALAYSIA OR TO PERSONS IN MALAYSIA AS THE SHARES ARE NOT INTENDED BY THE ISSUER TO BE MADE AVAILABLE, OR MADE THE SUBJECT OF ANY OFFER OR INVITATION TO SUBSCRIBE OR PURCHASE, IN MALAYSIA. NEITHER THIS DOCUMENT NOR ANY DOCUMENT OR OTHER MATERIAL IN CONNECTION WITH THE SHARES SHOULD BE DISTRIBUTED, CAUSED TO BE DISTRIBUTED OR CIRCULATED IN MALAYSIA. NO PERSON SHOULD MAKE AVAILABLE OR MAKE ANY INVITATION OR OFFER OR INVITATION TO SELL OR PURCHASE THE SHARES IN MALAYSIA UNLESS SUCH PERSON TAKES THE NECESSARY ACTION TO COMPLY WITH MALAYSIAN LAWS.

Additional information for investors with residence or seat in Mexico

The funds have not been and will not be registered with the National Registry of Securities or maintained by the Mexican National Banking and Securities Commission and, as a result, may not be offered or sold publicly in Mexico. Robeco and any underwriter or purchaser may offer and sell the funds in Mexico on a private placement basis to Institutional and Accredited Investors, pursuant to Article 8 of the Mexican Securities Market Law.

Additional information for investors with residence or seat in Peru

The Superintendencia del Mercado de Valores (SMV) does not exercise any supervision over this Fund and therefore the management of it. The information the Fund provides to its investors and the other services it provides to them are the sole responsibility of the Administrator. This Prospectus is not for public distribution.

Additional information for investors with residence or seat in Singapore

This document has not been registered with the Monetary Authority of Singapore ("MAS"). Accordingly, this document may not be circulated or distributed directly or indirectly to persons in Singapore other than (i) to an institutional investor under Section 304 of the SFA, (ii) to a relevant person pursuant to Section 305(1), or any person pursuant to Section 305(2), and in accordance with the conditions specified in Section 305, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. The contents of this document have not been reviewed by the MAS. Any decision to participate in the Fund should be made only after reviewing the sections regarding investment considerations, conflicts of interest, risk factors and the relevant Singapore selling restrictions (as described in the section entitled "Important information for Singapore Investors") contained in the prospectus. Investors should consult their professional adviser if you are in doubt about the stringent restrictions applicable to the use of this document, regulatory status of the Fund, applicable regulatory protection, associated risks and suitability of the Fund to your objectives. Investors should note that only the Sub-Funds listed in the appendix to the section entitled "Important information for Singapore Investors" of the prospectus ("Sub-Funds") are available to Singapore investors. The Sub-Funds are notified as restricted foreign schemes under the Securities and Futures Act, Chapter 289 of Singapore ("SFA") and invoke the exemptions from compliance with prospectus registration requirements pursuant to the exemptions under Section 304 and Section 305 of the SFA. The Sub-Funds are not authorized or recognized by the MAS and shares in the Sub-Funds are not allowed to be offered to the retail public in Singapore. The prospectus of the Fund is not a prospectus as defined in the SFA. Accordingly, statutory liability under the SFA in relation to the content of prospectuses does not apply. The Sub-Funds may only be promoted exclusively to persons who are sufficiently experienced and sophisticated to understand the risks involved in investing in such schemes, and who satisfy certain other criteria provided under Section 304, Section 305 or any other applicable provision of the SFA and the subsidiary legislation enacted thereunder. You should consider carefully whether the investment is suitable for you. Robeco Singapore Private Limited holds a capital markets services license for fund management issued by the MAS and is subject to certain clientele restrictions under such license.

Additional information for investors with residence or seat in Spain

Robeco Institutional Asset Management B.V., Sucursal en España with identification number W0032687F and having its registered office in Madrid at Calle Serrano 47-14º, is registered with the Spanish Commercial Registry in Madrid, in volume 19.957, page 190, section 8, sheet M-351927 and with the National Securities Market Commission (CNMV) in the Official Register of branches of European investment services companies, under number 24. The investment funds or SICAV mentioned in this document are regulated by the corresponding authorities of their country of origin and are registered in the Special Registry of the CNMV of Foreign Collective Investment Institutions marketed in Spain.

Additional information for investors with residence or seat in South Africa

Robeco Institutional Asset Management B.V. is registered and regulated by the Financial Sector Conduct Authority in South Africa.

Additional information for investors with residence or seat in Switzerland

The Fund(s) are domiciled in Luxembourg. This document is exclusively distributed in Switzerland to qualified investors as defined in

the Swiss Collective Investment Schemes Act (CISA). This material is distributed by Robeco Switzerland Ltd, postal address: Josefstrasse 218, 8005 Zurich. ACOLIN Fund Services AG, postal address: Leutschenbachstrasse 50, 8050 Zürich, acts as the Swiss representative of the Fund(s). UBS Switzerland AG, Bahnhofstrasse 45, 8001 Zurich, postal address: Europastrasse 2, P.O. Box, CH-8152 Opfikon, acts as the Swiss paying agent. The prospectus, the Key Information Documents (PRIIP), the articles of association, the annual and semi-annual reports of the Fund(s), as well as the list of the purchases and sales which the Fund(s) has undertaken during the financial year, may be obtained, on simple request and free of charge, at the office of the Swiss representative ACOLIN Fund Services AG. The prospectuses are also available via the website.

Additional information relating to RobecoSAM-branded funds/services

Robeco Switzerland Ltd, postal address Josefstrasse 218, 8005 Zurich, Switzerland has a license as asset manager of collective assets from the Swiss Financial Market Supervisory Authority FINMA. The RobecoSAM brand is a registered trademark of Robeco Holding B.V. The brand RobecoSAM is used to market services and products which entail Robeco's expertise on Sustainable Investing (SI). The brand RobecoSAM is not to be considered as a separate legal entity.

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Additional information for investors with residence or seat in Thailand

The Prospectus has not been approved by the Securities and Exchange Commission which takes no responsibility for its contents. No offer to the public to purchase the Shares will be made in Thailand and the Prospectus is intended to be read by the addressee only and must not be passed to, issued to, or shown to the public generally.

Additional information for investors with residence or seat in the United Arab Emirates

Some Funds referred to in this marketing material have been registered with the UAE Securities and Commodities Authority ("the Authority"). Details of all Registered Funds can be found on the Authority's website. The Authority assumes no liability for the accuracy of the information set out in this material/document, nor for the failure of any persons engaged in the investment Fund in performing their duties and responsibilities.

Additional information for investors with residence or seat in the United Kingdom

Robeco is deemed authorized and regulated by the Financial Conduct Authority.

Additional information for investors with residence or seat in Uruguay

The sale of the Fund qualifies as a private placement pursuant to section 2 of Uruguayan law 18,627. The Fund must not be offered or sold to the public in Uruguay, except under circumstances which do not constitute a public offering or distribution under Uruguayan laws and regulations. The Fund is not and will not be registered with the Financial Services Superintendency of the Central Bank of Uruguay. The Fund corresponds to investment funds that are not investment funds regulated by Uruguayan law 16,774 dated 27 September 1996, as amended.

Please visit the Robeco website
for more information